WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 1789

IN THE MATTER OF: Served December 29, 1977

Application of ATWOOD'S TRANSPORT LINES, INC., for Authority to Change Tariff	)))	Application No. 1007 Docket No. 392

On July 26, 1977, Atwood's Transport Lines, Inc. (Atwood's), filed its WMATC Tariff No. 19 to cancel WMATC Tariff No. 18, effective September 1, 1977. Atwood's current WMATC Tariff No. 18 and supplements thereto specify regulations, fares and charges applicable to the transportation of passengers in regular-route charter and group sightseeing operations pursuant to Certificate of Public Convenience and Necessity No. 14. That certificate authorizes operations (a) over a regular route between Washington, D. C., and the Prince George's-Charles County, Md., line and (b) over irregular routes, conducting round-trip or one-way charter service, (1) between points in that part of the Metropolitan District located within the Capital Beltway, on the one hand, and, on the other, points in the Metropolitan District, (2) from points in an area within one mile of two specified routes to points in that part of the Metropolitan District located outside the Capital Beltway, (3) between Dulles International Airport, on the one hand, and, on the other, points in that part of the Metropolitan District outside the Capital Beltway, and (4) pursuant to contract, from points in the District of Columbia and Prince George's County, Md., to a specified point in Gaithersburg, Md., and return. 1/ As described in Order No. 1741, served August 31, 1977, and incorporated by reference herein, Atwood's seeks a rate change for regular-route operations and charter operations, as well as certain changes in its tariff regulations. These changes will be reiterated herein only to the extent necessary for clarity of discussion. By Order No. 1741, issued pursuant to Title II, Article XII, Section 6(a)(1) of the Compact, the Commission suspended Atwood's WMATC Tariff No. 19 and scheduled public hearings thereon. No protests to this application were filed, and no parties appeared in opposition at the hearings.

At the hearing, Mr. Leonard Hanson, Atwood's Vice President and General Manager, testified in support of the application. Mr. Hanson

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1/ The only rate increases proposed by Atwood's, however, are for regular-route service, transfers and hourly charter and charter sightseeing service. Rates for other operations such as contract service for National Geographic Society are published in various supplements to WMATC Tariff No. 18 and are not affected by this application.

WMATC jurisdictions are estimated to be 90.78 percent and 92.85 percent, respectively. Mr. Sodnick further testified that Atwood's overall operating ratio calculations include as an expense the sum of $67,670.51 in interest payments. Mr. Sodnick admitted that the 14 percent salvage value utilized by Atwood's in calculating depreciation expenses did not realistically describe the actual resale value of a seven-year-old bus, and, to the extent that an excess capital recovery is realized, the ratepayer is actually making an investment in Atwood's.

In order to develop the record, the staff of the Commission presented two witnesses at the hearing. The first, Mr. James Wishart, is the Chief Depreciation Engineer for the Maryland Public Service Commission. Mr. Wishart testified that Atwood's depreciation system is inconsistent with accepted practices because the above-referenced salvage rate of 14 percent would more properly correspond to the average resale value of a 14-year-old bus rather than seven-year-old bus. The proper salvage value, according to Mr. Wishart, must be the net resale price which would be expected from the sale of the bus at the end of the corresponding depreciation life. Mr. Wishart pointed out that the reason for this treatment of salvage value is to insure that the current users of the buses pay only their fair share of costs associated with the property dedicated to their service. Mr. Wishart's testimony agreed with that of Mr. Hanson that the actual net salvage value of a seven-year-old bus is no less than 75 percent of its original cost. Mr. Wishart concluded that the depreciation expenses utilized by Atwood's in calculating its operating ratio were inflated and include a return to Atwood's considerably in excess of its original cost of equipment.

The second witness sponsored by the staff of the Commission was Mr. Larry Kinard, an accountant retained to audit Atwood's books and records. Mr. Kinard introduced and explained a detailed income statement for the 12 months ended May 31, 1977, which he prepared from Atwood's books and records. On the basis of this exhibit, Mr. Kinard calculated Atwood's overall operating income to be $197,062 with a corresponding operating ratio of 91.11 percent before provision for income taxes. After provision for income taxes, Atwood's overall operating ratio stands at 91.65 percent.

Mr. Kinard further calculated that operations over the WMATC portion of Atwood's regular route resulted in an annual loss of $40,867, an operating ratio of 165.39 percent. He pointed out, however, that he based his regular-route calculations on Atwood's figures which in turn were based on Mr. Hanson's limited sampling of driver receipts. Mr. Kinard testified that the proper way to take a sampling, unlike Mr. Hanson's method, is to encompass a larger period of time so that there would be no seasonal weighting in the calculations, or, preferably, to conduct actual riding surveys.

During the course of Mr. Kinard's testimony concerning the WMATC regular-route operations, Atwood's interjected that it did not contest

Mr. Kinard's calculations. In fact, Mr. Sodnick urged that the Commission adopt Mr. Kinard's WMATC regular-route calculations.

Mr. Kinard further testified that, inasmuch as Atwood's books and records do not distinguish the expenses and revenues of its WMATC charter operations from those of its ICC charter operations, it is impossible accurately to calculate therefrom an operating ratio based solely on Atwood's WMATC charter operations. Mr. Kinard, therefore, calculated operating ratios of 89.09 percent and 89.64 percent before and after taxes, respectively, on that portion of Atwood's revenues and expenses remaining after the revenues and expenses of its WMATC regular-route operations have been deducted.

In arriving at the above figures, Mr. Kinard made several adjustments to the figures shown on Atwood's books and records. First, he did not include as an operating cost the interest expense of $67,670.51, inasmuch as interest was deemed a cost of capital as opposed to an operating expense. Second, he reduced the amount of depreciation expense claimed by the company by $94,961. Mr. Kinard arrived at this sum using the useful life and salvage values suggested by Mr. Wishart, namely a 75 percent net salvage value at the end of seven years of depreciable life for Atwood's new buses and a 14 percent salvage value over a 14-year average depreciable life for Atwood's used buses. 4/ Third, he reduced Atwood's provision for income taxes from $34,350 to $12,708. He arrived at this figure by totaling tax-consequential adjustments to Atwood's estimated provision for taxes to show an annualized increase in tax-deductible operating expenses of $48,088, then multiplying that sum by the corporate tax rate of 48 percent, resulting in a decrease of $21,642 in Atwood's Federal tax projections. This $21,642 decrease was subtracted from $34,350, Atwood's estimated income taxes for the year ended May 31, 1977, leaving a balance of $12,708.

Atwood's does not contest the mathematical accuracy of this procedure but disagrees with Mr. Kinard's final estimate.

At the conclusion of its presentation of evidence, the staff of the Commission introduced a copy of Greyhound Lines, Inc.'s (Greyhound), proposed fare increase filed with the Interstate Commerce Commission concerning part of its regular-route operation. This exhibit, as here pertinent, reflects Greyhound's present fares for interstate service over a route duplicative of Atwood's:

Between Washington, D.C., and	Present One Way	Present Ten Ride Commuter
Silver Hill, Md.	$1.15	$ 5.55
Camp Springs, Md.	1.15	5.55
Clinton, Md.	1.30	6.35
T.B. Jct., Md.	1.60	7.95

4/ Mr. Kinard's calculations are contained in Exhibit H-14.

introduced Atwood's balance sheet for the test year ended May 31, 1977, and submitted Atwood's income statement for the same period indicating an operating ratio 2/ of 93.54 percent 3/ including a claimed depreciation expense of $276,028.60. A statement of projected income for the year ending May 31, 1978, was also submitted projecting operating ratios of 95.4 percent and 96.2 percent with and without the proposed rate increases, respectively, and including a claimed depreciation expense of $300,000. Also on the issue of depreciation, Mr. Hanson submitted prepared testimony asserting that a seven-year-old bus has a resale value of approximately 75 percent of its original cost. Several other exhibits, generally as described in Order No. 1741, were also presented.

Mr. Hanson pointed out that, in the normal course of business, Atwood's does not make any effort to separate either its revenue or its costs according to ICC and WMATC operations. He further testified that the various revenue and expense figures submitted to the Commission for Atwood's WMATC operations were his best estimates under such lack-of-data circumstances. Mr. Hanson further testified that based on a random sampling of certain driver receipts on various days, he calculated Atwood's present revenue derived from operations over the WMATC portion of its regular route to be $62,500 per year.

Mr. Hanson testified that since 1975 Atwood's has been depreciating its newly acquired equipment by the straight-line method using a seven-year life and a 14 percent-of-cost salvage value. He pointed out that, due to the rising cost of new buses, combined resale proceeds and accumulated depreciation on a seven-year-old bus may not provide sufficient capital to purchase a new replacement bus. According to Mr. Hanson, Atwood's needs the requested rate increase to maintain the high caliber of its fleet.

Atwood's accountant, Mr. William Sodnick also testified in support of Atwood's application. He, like Mr. Hanson, testified that Atwood's does not normally make any effort to allocate its revenues or expenses by ICC and WMATC operations. This lack of underlying data injects a note of uncertainty into Atwood's attempts at revenue and cost allocations and the witness characterized such exhibits prepared herein as the best estimate of Atwood's under such circumstances. Mr. Sodnick pointed out that Atwood's total (ICC and WMATC) charter operating ratio is presently 91.65 percent, while its operating ratios for charter service performed within ICC and

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2/ As defined by the Interstate Commerce Commission, the term "operating ratio" is that percentage which a carrier's direct operating expenses bears to its total operating revenue. Increased Common Carrier Travel Rates in the East. 42 M.C.C. 633 (1943). Similarly, the United States Court of Appeals for the District of Columbia Circuit refers to operating ratio as "the ratio of expenses to gross revenues -- a figure usually between 90 and 100." D. C. Transit v. Washington Metropolitan Area Transit Commisssion, 350 F.2d 753, at 760 (1965).

3/ As amended by Atwood's at the above-referenced hearing.

Our review of Greyhound's intrastate tariff as filed with the Maryland Public Service Commission, 5/ of which we hereby take official notice, shows the following rates for service over the Atwood's/Greyhound route:

Between	Present One Way
Silver Hill, Md., and	
Camp Springs, Md.	$1.10
Clinton, Md.	1.10
T.B. Jct., Md.	1.25
Camp Springs, Md., and	
Clinton, Md.	1.10
T.B. Jct., Md	1.10
Clinton, Md., and	
T.B. Jct., Md.	1.10

Findings and Conclusions

Title II, Article XII, Section 6(a)(2) states in pertinent part that:

> If, after hearing held upon reasonable notice, the Commission finds that any fare, regulation or practice relating thereto, so suspended is unjust, unreasonable, or unduly preferential or unduly discriminatory either between riders or sections of the Metropolitan District, it shall issue an order prescribing the lawful fare, regulation, or practice to be in effect.

Under the above provision of the Compact, after a full and fair hearing, the Commission has a duty to prescribe just and reasonable rates which are neither unduly preferential nor unduly discriminatory between riders or sections of the Metropolitan District.

Before determining whether Atwood's proposed fare increases are just and reasonable, the Commission must make a finding as to Atwood's operating ratio for its WMATC regular-route operations. Both Atwood's accountant and the accountant testifying on behalf of the staff agreed that Atwood's present operating ratio, based on Mr. Hanson's revenue sampling of various driver receipts and his estimated expenses, is 165.39 percent. Although, as Mr. Kinard pointed out, Mr. Hanson's revenue sampling lacks optimal statistical validity, the Commission, in the absence of more probative underlying data, will accept this sampling as a basis for calculation of the WMATC regular-route operating ratio, and we find that Atwood's WMATC regular-route operating ratio for the test year was 165.39 percent.

5/ See Maryland Tariff MCC 52, as supplemented December 19, 1977.

We next determine Atwood's operating ratio for its WMATC charter operations. We have reviewed the exhibits and the testimony of the various witnesses herein, and find that it is impossible to determine an operating ratio solely for Atwood's WMATC charter operations since Atwood has submitted no statistics and has no separated records upon which the Commission could effect an allocation of WMATC charter revenues and expenses.

The Commission could dismiss this aspect of the application for failure of Atwood's to sustain its burden of proof. Rather, we believe the public interest will be equally well served in this specific situation if we consider Atwood's request for an increase in its charter rates in light of its present operating ratio for its aggregate operations -- other than the WMATC regular route. The operating ratios for this portion of Atwood's transportation services was calculated by Mr. Kinard to be 89.09 percent and 89.64 percent before and after taxes, respectively. Atwood's has only three objections to the above calculations: (a) the exclusion of $67,670.51 interest from the calculation of Atwood's operating expenses; (b) the reduction of Atwood's depreciation expense by $94,961; and (c) the reduction of Atwood's provision for income taxes to $12,708.

The Commission finds that the $67,670.51 interest was properly excluded from Atwood's operating expenses in the calculation of operating ratios. While interest expense plays an important role in the computation of income taxes and rates it is more properly considered a cost of capital than an operating expense.

The Commission must next consider the proposed reduction of the claimed depreciation expense. Depreciation, in our view, is a method by which a carrier recoups the cost of capital investments. It is not a means of generating additional revenue for funding future investments. It is the burden of the carrier, not the ratepayer, to finance additional capital acquisitions. As a corollary to this proposition, it is manifestly unfair to tax today's ratepayers with the anticipated cost of buses some seven years or more in the future. Accordingly, we conclude that, for ratemaking purposes, the depreciable life of an existing asset and its claimed salvage value must correspond. The Commission finds after a thorough review of the factual bases and methodology employed by Mr. Kinard that the sum of $94,961 was properly disallowed in the calculation of Atwood's actual depreciation expense.

The Commission further must consider the propriety of the reduction of the provision for Atwood's taxes to $12,708. The Commission has reviewed Mr. Kinard's adjustments and calculations and the rebuttal testimony of Mr. Sodnick, and finds Mr. Kinard's treatment to be mathematically and substantively accurate. Atwood's own figures as taken from its Exhibit H-2 show an estimated income tax liability of $34,350, and we have no basis for presuming that Atwood's estimate is erroneous. This calculation, made solely for income tax purposes, normalizes accelerated depreciation and investment credits. For the purpose of depicting a normal test year, Mr. Kinard adjusted certain actual expenses. For example, Atwood's actual garage rental payments for the 12 months ended May 31, 1977, totaled $56,161. Because a rent increase occurred during the year, however, Mr. Kinard annualized this increase to show that Atwood's normal rent payments would be $63,511. As stated above, Atwood's has no objection to such adjustments, except as to the issue of depreciation discussed above. The net result of these adjustments (excluding depreciation) is to increase Atwood's tax deductible expenses for a normal year, thus decreasing its tax liability. Depreciation, which was not involved in Mr. Kinard's proposed tax adjustment is, of course, an income-tax deductible expense. The testimony of Atwood's accountant makes clear, however, that depreciation for income taxes is calculated without relation to depreciation for ratemaking purposes. If the Internal Revenue Service is satisfied with depreciation calculated on some basis other than that prescribed herein, our adjustment for ratemaking purposes will have no effect on Atwood's income tax liability. We find that the adjustment to taxes was proper.

Based on the above considerations, the Commission finds that Atwood's overall operating ratios excluding its WMATC regular-route operations are 89.09 percent and 89.64 percent before and after taxes, respectively, and its overall company operating ratios are 91.11 percent and 91.65 percent before and after taxes, respectively.

The Commission must now determine the "just and reasonable" rates to be charged by Atwood's. The term "just and reasonable" rates has been dealt with on several occasions by the United States Court of Appeals for the District of Columbia Circuit. As the court stated in D. C. Transit v. Washington Metropolitan Area Transit Commission, 350 F.2d 753, 758 (D.C. Cir. 1965):

> A just and reasonable rate is one that assures that all the enterprise's legitimate expenses will be met, and that enables it to cover interest on its debt, pay dividends sufficient to continue to attract investors, and retain a sufficient surplus to permit it to finance down payments on new equipment and generally to provide both the form and substance of financial strength and stability.

See also Southeast Neighbors, Inc. v. WMATC, 464 F.2d 804 (D.C. Cir. 1972).

There are various factors the Commission must consider in determining just and reasonable rates. Title II, Article XII, Section 6(a)(3) of the Compact mandates that the Commission consider among other things: (1) the inherent advantages of transportation by the carrier; (2) the effect upon the movement of traffic by the carrier for which the rates are prescribed; (3) the need, in the public interest, of adequate and efficient transportation service by such carriers at the lowest cost consistent with the furnishing of such service; and (4) the need of revenue sufficient to enable such carriers, under honest, economical and efficient management, to provide such service. See also Democratic Central Committee of D. C. v. Washington Metropolitan Area Transit Commission, 485 F.2d 886, 903 (D.C. Cir. 1973).

With these standards in mind, the Commission finds that Atwood's WMATC regular-route rates should be increased. Atwood's is presently experiencing an operating ratio of 165.31 percent. This resulted in a loss of approximately $41,000 to Atwood's on its WMATC regular-route operations during the normalized test year.

Of $138,379 test year revenues from its total regular-route operations, Atwood's attributes $62,500 or 45.17 percent of the revenue to the WMATC portion of the route. Normalized WMATC regular-route expenses totaled $103,367. Applying the 45.17 percent revenue factor to Atwood's projections for the next year (see Exhibit H-3), WMATC regular-route revenue is estimated at $65,497 including an increase of approximately $3,000 attributable to a projected increase in ridership. Atwood's estimates that the requested rate increase would generate an additional $7,000 in revenue or an increase of 10.69 percent over revenue anticipated under the current fare structure. Thus, even under the rate schedule proposed by Atwood's, operations over the WMATC portion of its regular route would result in an annual loss to the company of $30,870 for an operating ratio of 142.58 percent. We find, accordingly, that Atwood's is entitled to a regular-route rate increase exceeding that requested.

The evidence of record, as noted above, contains no passenger survey and we are, therefore, precluded from simply dividing required gross revenue by number of passengers to arrive at an appropriately weighted rate structure. Accordingly, we must attempt an analysis based on the unweighted average of rate increases proposed by Atwood's. This, of course, is further complicated by the fact that Atwood's proposes to sell ten-ride commutation tickets for service between points where only individual one-way charges were previously applicable.

Because the record lacks sufficient data on which to base predictions regarding the commutation tickets, we have averaged the increase on the one-way charges proposed by Atwood's 6/ and find that the unweighted average fare would be increased by 4.71 percent. As projected by the company, this increase would generate $7,000 in additional revenue. In order to produce a total revenue of $103,367, the amount needed by the company to cover its legitimate operating expenses, an average fare increase in the neighborhood of 27.6 percent would be mandated. Hence, Atwood's would be required to charge one-way fares ranging between $1.25 and $1.90.

6/ In two cases, the proposed one-way charge would be decreased 9.1 percent from $1.10 to $1.

We find, however, that such rates would be too inflated. Riders' fare resistance to an increase of this magnitude, from our past experience, would be substantial. Decreased ridership, of course, would be both detrimental to Atwood's revenue picture and antithetical to the promotion of mass transit. Fare resistance in this proceeding is of special significance inasmuch as Greyhound conducts operations over the same route. Hence, while fare resistance may be negligible with respect to an increase up to the level of Greyhound's rates, we conclude that fares substantially above that level would actually have an adverse effect on Atwood's and would be contrary to the public interest. Another factor in our determination, discussed in greater detail below, is Atwood's overall financial situation.

Prescribing for Atwood's the same one-way rates as those now in effect for Greyhound would result in an unweighted average fare increase of 13.17 percent. Applying the effect of this rate increase to Atwood's revenue projections, the overall increase to the company's operating revenue should approach $19,600. When Atwood's projection of increased ridership and the effect of a rate increase to Greyhound's fare levels on these additional passengers is included, we estimate that WMATC regular-route income would be approximately $85,500. Hence, Atwood's corresponding operating ratio would be reduced from 165.39 percent to 120.93 percent.

These rates, of course, do not allow Atwood's to entirely recoup the cost of providing the regular-route service subject to our jurisdiction. Some $18,000 of other revenue will therefore be needed to offset the regular-route operations. We find that this cross-subsidization is just and reasonable in light of Atwood's profitable charter operations and because of the likely deleterious effect of a larger regular-route fare increase. We also note that in the transportation industry charter operations have historically helped support regular-route operations to a reasonable extent. The need for this approach motivated Congress to include a so-called "incidental charter rights" provision as section 208(c) of the Interstate Commerce Act (49 U.S.C. 308(c)), and these "incidental" rights subsequently served as the basis for this Commission's certification of a substantial portion of Atwood's existing charter rights.

Two other factors mitigate in favor of our decision to correspond Atwood's and Greyhound's fares. First, we believe that parity of rates where possible is a convenience and benefit to the farepayers. From the viewpoint of the riding public, there is no difference between the operations of these two carriers over the subject regular route. Hence, it makes little sense to the rider to pay different rates to different carriers for the same service. In addition, the testimony reveals that a substantial number of riders utilize Atwood's regular-route service for commuting to and from work. This transportation, to some riders, is undoubtedly vital to their employment. By way of contrast, charter sightseeing transportation may be thought of as a comparative luxury, and subsidization tending to benefit the commuting worker, in our opinion, is more in the public interest than is a strict division of accounting between the two modes of service provided by Atwood's.

Turning next to the question of ten-ride commuter fares, we shall approve Atwood's proposal to sell ten-ride tickets at 75 percent of the corresponding single-ride charge. We disapprove, however, the proposed minimum ten-ride fare of $10 inasmuch as this minimum is completely arbitrary and unduly discriminates among riders and sections of the Metropolitan District. As proposed, only those riders travelling between Washington, D. C., and T. B. Junction, Md., would receive the full 25 percent discount and service between four of the ten point combinations on this route would involve no discount whatsoever. Atwood's has advanced absolutely no justification for this discrimination.

These ten-ride commutation fares will be higher than Greyhound's corresponding rates. Obviously, some discussion is warranted by our speedy departure from the parity philosophy which served so well in the discussion of one-way fares. There are other elements at work here. First, in the absence of convincing reasons to the contrary, we believe that the ten-ride commutation discount should bear some reasonable and uniform relationship to the one-way fares. Second, the Greyhound ten-ride commutation fares are now substantially less than the same fares for Atwood's and, as we have mentioned, are the subject of a requested increase now pending before the ICC. According the commutation discount the same parity treatment as the individual fares would result in reducing the approved Atwood commutation fares by approximately 51 percent and would exacerbate Atwood's already poor operating ratio for this service. Third, we are here dealing in part with a request to introduce the commutation discount into the intra-Maryland fare system for the first time, and we feel these fares should be initiated on a rational basis to maintain existing patronage and to encourage new ridership. Finally, we have considered the question of parity in connection with Greyhound's proposed commutation fares, but our statutory deadline for deciding this case occurs long before the Greyhound application can be resolved by ICC. Since we cannot take into account the outcome there, we can only do what seems right and reasonable on the basis of the information before us.

Potential fare resistance is, of course, a factor. Zone-by-zone fare resistance cannot be calculated because of the deficiencies in the data available from Atwood's records. However, the fare system established herein is reasonable, understandable, and justified by the facts. It provides significant discounts to commuters on a fair and uniform basis and will, we believe, be generally acceptable to the riders. While we have already declined to speculate on the result of Greyhound's proceeding at ICC, the impact of virtually any ICC action would be to ameliorate the impact of fare resistance on Atwood's.

The foregoing premises considered, we find that the following rates are in conformance with the mandates of the Compact and are therefore prescribed for Atwood's:

Between Washington, D. C., and	One-Way Fares	Ten-Ride Fares
Silver Hill, Md.	$1.15	$ 8.65
Camp Springs, Md.	1.15	8.65
Clinton, Md.	1.30	9.75
T.B. Jct., Md.	1.60	12.00
Silver Hill, Md., and		
Camp Springs, Md.	1.10	8.25
Clinton, Md.	1.10	8.25
T.B. Jct., Md.	1.25	9.40
Camp Springs, Md., and		
Clinton, Md.	1.10	8.25
T.B. Jct., Md.	1.10	8.25
Clinton, Md., and		
T.B. Jct., Md.	1.10	8.25

The Commission must now consider the charter and transfer aspects of Atwood's request. Initially, Atwood's proposes to delete from its tariff rates based on mileage and to publish only hourly rates for charter service. At present, the company may generally apply whichever rate structure would yield a greater revenue. 7/ Mr. Hanson, in support of this proposal, testified that the company has not applied mileage rates to shorthaul trips in many years, inasmuch as hourly rates invariably generate a higher revenue. Correspondingly, Atwood's would also delete from its tariff definitions of "deadhead mileage" and "distance" inasmuch as these definitions are related solely to mileage charges. These simplifying requests are just and reasonable, and they shall be approved.

Atwood's proposes to delete rates for 45-passenger buses inasmuch as it no longer operates such equipment. Rates previously shown as applicable to 47-passenger buses would be republished as applicable to 46-passenger vehicles inasmuch as the 47th seat in these buses is opposite the restroom door and is not desirable for general use. Also to be deleted is the current $58 minimum charge for charter trips over 24 consecutive hours in duration inasmuch as there has never been any occasion to apply this rate to the essentially local service subject to this Commission's jurisdiction. We

7/ Hourly rates (minimum of four hours) apply to round trips of 100 miles or less. Round trips in excess of 100 miles are based on either the mileage charge or the hourly charge, whichever is greater.

find these amendments to be appropriate and consistent with the criteria set forth in the Compact; they shall be approved.

On those occasions, if any, where a layover may be necessary to comply with the hours of service provisions promulgated by the U. S. Department of Transportation, Bureau of Motor Carrier Safety, Atwood's proposes to increase its layover charge from $26 to $29. This proposal, to say the least, is less than compatible with the testimony concerning the lack of long-duration charter trips between points in the Metropolitan District. Accordingly, we shall disapprove this aspect of Atwood's request, and we further find that the provision for layover charges should be deleted from Atwood's tariff inasmuch as publication thereof does not appear to be in the public interest.

Next we turn to Atwood's proposed rate increases for hourly charter and transfer operations. The company has proposed to increase the former by $2 an hour and the latter by $5 per transfer. According to Atwood's this rate increase would generate an additional $100,000 revenue and an additional $6,000 in insurance and commission expenses. See Exhibit H-3.

During the normalized test year, Atwood's overall charter operations and ICC regular-route operations netted a return of $237,929 to the company for an operating ratio of 89.64 after provision for income taxes. As discussed above, some $18,000 of this amount offsets WMATC regular-route service provided at the rates prescribed herein. An additional sum of approximately $67,672 must be utilized to meet Atwood's interest payments on investment capital. This leaves a net profit, after taxes, of approximately $152,257, or 6.45 percent of Atwood's total revenue. Implementation of the requested rate increase would inflate the net profit to the company by $94,000 resulting in after-tax earnings of $201,137, or 8.52 percent of Atwood's total revenue. 8/

The Commission finds that the proposed fares for hourly charter and transfer operations are unjust and unreasonable and we prescribe the following rates therefor:

Charter

Seating Capacity of Vehicle (Exclusive of Driver's Seat)	Rate Per Hour
38 (with restroom)	$18
46 (with restroom)	20

8/ These calculations assume that the $94,000 revenue would be fully taxable at the rate of 48 percent, thereby resulting in additional Federal income tax liability of $45,120.

Transfers	38- or 46- Passenger Coaches
Between any two points in the Metropolitan District located within the Capital Beltway	$60
Between Dulles International Airport and any point in that part of the Metropolitan District located within the Capital Beltway, on the one hand, and, on the other, any point in that part of the Metropolitan District located outside the Capital Beltway	$80

Sightseeing Charges

Seating Capacity of Vehicle (Exclusive of Driver's Seat)	Rate Per Hour
38 (with restroom)	$20
46 (with restroom)	23

Minimum charge - Four (4) hours

In any instance where a licensed guide or lecturer accompanies a charter vehicle in addition to the operator of the vehicle and serves in that capacity, a charge of $25 per day will be assessed, in addition to the hourly rate specified above, subject to rules and regulations contained herein.

These rates, of course, are identical to those now in effect under Atwood's WMATC Tariff No. 18 and Supplement No. 4 thereto.

We find that a 6.45 percent net profit is just and reasonable and comports with the legislative policy declaration in Title II, Article XII, Section 6(a)(4). Under the rates prescribed herein, Atwood's will be able to provide adequate and efficient transportation at the lowest cost consistent therewith. Funds will be available for debt reduction, capital acquisitions and/or stockholders' dividends in such reasonable proportions as the company may deem advisable. Thus, we feel that the rates prescribed herein are consistent with the needs of both the carrier and the riding public, and the Commission, therefore, finds that publication of a tariff promulgating such rates is in the public interest.

One further matter requires disposition. We have noted that, under its present system of recordkeeping, Atwood's makes no attempt to allocate its revenues and expenses between WMATC and non-WMATC operations. This results in less than optimal data for ratemaking purposes and hampers the Commission in the performance of its statutory duties. Hence, while we have in this instance been able to reach a result which we believe to be consistent with the public interest, our task has been complicated and has involved inordinate time and expense.

Commission Regulation 64-02 provides that:

> Each carrier shall keep its general accounting books, and all records which support in any way the entries to such accounting books, in such manner that it can furnish at any time <u>full and complete</u> financial and statistical information with respect to the activities in which it is engaged (whether or not any such activities constitute transportation subject to the Compact). (Emphasis supplied.)

Pursuant to this regulation, the Commission shall require Atwood's to maintain its revenue figures on a jurisdictional and type-of-service basis. We see no significant burden to Atwood's resulting from this requirement, inasmuch as Atwood's invoices must perforce be prepared in such a manner. Atwood's should also endeavor, to the extent practicable, to record expenses in the same manner. The Commission realizes that expenses often cannot be as readily allocated as revenues. Such variable expense items as drivers' wages, benefits and fuel costs should be allocable without incurring undue administrative hardship. We fully anticipate that whatever slight inconvenience to Atwood's is generated by these requirements will be more than offset by the benefits to be derived therefrom in future proceedings.

THEREFORE, IT IS ORDERED:

1. That Application No. 1007 of Atwood's Transport Lines, Inc., except to the extent granted herein, be, and it is hereby, denied.

2. That Atwood's Transport Lines, Inc., be, and it is hereby, directed within 30 days from the date of service hereof, to file with the Commission a revised WMATC Tariff No. 19 promulgating the rules, regulations and fares approved herein.

3. That said revised WMATC Tariff No. 19 shall become effective upon acceptance by the Executive Director of the Commission, provided, however, that Atwood's Transport Lines, Inc., first publish, by posting in its vehicles used for providing regular-route service, no less than five days notice of the regular-route fare increases authorized herein and certify such publication to the Executive Director of the Commission.

4. That Atwood's Transport Lines, Inc., be, and it is hereby, directed to keep its accounting books and records in a manner consistent with the opinions expressed herein.

5. That unless compliance is made with the requirements of the second preceding paragraph within 30 days after the date of service of this order, or within such additional time as may be authorized by the Commission, Application No. 1007 of Atwood's Transport Lines, Inc., shall stand denied in its entirety effective upon the expiration of the said compliance time.

BY DIRECTION OF THE COMMISSION:

William H. McGilvery

WILLIAM H. McGILVERY
Executive Director